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USSR Monthly Review



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[Redacted]

Sino-Soviet Relations: The View From Moscow

[Redacted]

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Moscow and Beijing reportedly will begin "exploratory talks" on border issues and other state-to-state matters next month. No sudden breakthrough on the issues that have deadlocked the two sides for almost two decades is likely. Nevertheless, Moscow will take considerable comfort from the resumption of the dialogue and consider it a significant diplomatic victory over the United States at a time when the Sino-US relationship is widely considered to be deteriorating.

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Richard Topping
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Soviet Military Developments on the China Border

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The Soviet Union has substantially increased its ground and air forces opposite China since the mid-1960s while simultaneously modernizing these forces and improving their logistic infrastructure. Over the next decade, the augmentation and modernization of these forces probably will continue as the Soviets attempt to redress perceived vulnerabilities in their force structure along the Sino-Soviet border.

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[Redacted]

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The Economic Costs of Soviet Involvement in Afghanistan

[Redacted]

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In 1981 expenditures in direct support of Soviet forces in Afghanistan plus the value of equipment lost there amounted to about 800 million rubles (3.1 billion dollars), or the equivalent of about 1 percent of total Soviet military expenditures for the year. Unless the Soviets decide to increase substantially their commitment to Afghanistan in the future—and at present this seems unlikely—the economic costs of maintaining the existing situation probably will not be a primary determinant of Soviet policy.

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The Soviet Union and Vietnam: A Close but Uneasy Alliance [Redacted] 27 25X1

The Soviet Union and Vietnam share an alliance based on the needs of the two sides and their hostility toward China. While these factors help to stabilize the relationship, strains and contradictions continue to accumulate and almost certainly pose problems for the long-term durability of the relationship. [Redacted]

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[Redacted]

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Other Topics

USSR: The Economy in the 1980s, Dependence on the West, and Military-Economic Trade-offs [Redacted] 31 25X1

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This briefing was presented to the Senate Foreign Relations Committee by [Redacted] Deputy Director of Soviet Analysis, on 11 August 1982. [Redacted]

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Implications of the USSR's Hard Currency Problem for Aid to Allies and Clients [Redacted] 45 25X1

Moscow is trying to conserve foreign exchange, in part by reducing economic support to dependent allies and clients. This policy almost certainly will increase problems in bilateral relations with East European and Third World countries. On the other hand, the Soviets will continue military assistance in Third World regions important to US interests. [Redacted]

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Soviet Concern for Security on the Southern Frontier

Perspective: The Soviet Union's Policy Toward Its Southern Neighbors

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The Soviet Union's foreign policy goals in the countries on its southern border are to negate possible threats to Soviet security interests, expand Soviet influence, and develop access to economic resources in those countries. Countering these aims are a hostile China armed with nuclear weapons, diplomatic and economic opposition from the West, a small but increasing US military capability in the Indian Ocean littoral, and growing nationalistic and religious forces in the countries along the border. The articles in this issue examine the policies employed by the Soviet Union in pursuing its goals, the problems it faces, and likely future directions in Soviet policy.

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The Soviet Union has committed substantial military resources along its southern frontier and has exercised the gamut of military options—short of war with a major power—to support its interests in Asia. In Afghanistan, the Soviets have committed forces to combat in supporting a client regime engaged in civil war; opposite China the Soviet Union has used the threat of military action with deployment of over one-fourth of its ground forces along the border; it has maintained influence in Vietnam, in part, through the use of substantial military aid; and military sales to Iraq, Iran, and India have been directed at both foreign policy and economic objectives. To date, the least attention has been devoted to Southwest Asia, where Soviet military forces are somewhat under strength, probably because of the lack of an immediate military threat to the Soviet Union, the requirements of other areas, and the remoteness of the region. Even there, however, Soviet forces have been steadily modernized and could form the basis for a future buildup should the need arise.

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In addition to their substantial military activity, the Soviets have vigorously employed diplomatic and economic approaches in their relations with Asian countries. The largest recipients of Soviet economic aid—Turkey, India, Afghanistan, and Vietnam—all lie in the crescent along the Soviet

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southern frontier. Soviet diplomatic overtures to countries in the area have been strenuous and frequent, even to countries such as China and Pakistan whose interests are in direct conflict with the Soviets' [redacted]

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The Soviet Union's relations with countries on its southern border are beset by many problems. The war continues in Afghanistan, relations with China remain strained, Vietnamese interests do not always parallel Soviet wishes, the Soviets have a troubled relationship with Iran, and Turkey is a member of an adversarial alliance. Moreover, the Soviet actions in Afghanistan have aroused suspicions throughout the region, and the Soviets appear to be doing no better than the West in understanding and dealing with the rise in Islamic fundamentalism or with the Iran-Iraq war [redacted]

In particular, the Iran-Iraq war presents the Soviets with a no-win situation. An Iranian defeat of Iraq, with whom the Soviets have a Friendship Treaty and an extensive arms supply relationship, would undermine the USSR's credibility as a security partner and raise new doubts about the quality of its weapons. Moreover, a successor regime, especially a radical Islamic regime, might be more anti-Soviet. Any support of Iraq, however, risks further antagonizing Tehran and wrecking prospects of improved relations with Iran in the future. [redacted]

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For the foreseeable future, Soviet foreign policy on the southern frontier most likely will continue to be a mix of diplomatic and economic initiatives backed by military commitments. The Soviet Union and China both seem willing to undertake a gradual resumption of cultural and economic contacts and reportedly will hold "exploratory talks" on the border issue and other state-to-state matters in October. While the two sides may agree on limited measures to reduce tension, any action almost certainly will fall short of a genuine reconciliation. Vietnam's political isolation and Chinese hostility continue to foster the Soviet and Vietnamese alliance. In the longer term, Vietnam's increasing demand for and dependence upon Soviet aid could deepen resentment of Soviet restrictions on the aid program and could increase the existing friction in the relationship. The present situation in Afghanistan appears likely to continue with no easy solution in sight. Finally, Moscow's emphasis on improved relations with Iran almost certainly will continue as long as Tehran remains anti-US, but the Soviet efforts are likely to have only marginal success. [redacted]

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USSR-Iran: Prospects for a Troubled Relationship

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The Soviets have reason to be pleased with Iran's continued anti-US orientation and their own slightly improved economic relationship with Tehran. Although bilateral political relations remain strained, Moscow's emphasis on improving relations almost certainly will continue as long as Iran remains anti-US, the USSR has a chance of making further gains, and pro-Soviet elements are not sufficiently strong to mount a successful challenge.

Current Status of Soviet-Iranian Relations

The Soviets undoubtedly view many facets of the Iranian situation positively:

- Iran remains stridently anti-US, a major Soviet objective since the 1979 revolution.
- The most publicly anti-Soviet Iranian leaders (Bani-Sadr and Ghotbzadeh) have been defeated.
- Bilateral trade increased to a record \$1.1 billion in 1981, more than double the abnormally low 1980 volume and slightly above the prerevolution average.
- Some 2,500 to 3,000 Soviet economic advisers are working in Iran—fewer than under the Shah but a substantial increase since the early days of the revolution. There may also be some 100 to 200 military personnel in Iran, about the same number as under the Shah.
- Soviet arms deliveries, contracted for under the Shah but halted when the Iran-Iraq war began in September 1980, resumed in mid-1981.
- Iran's contacts with Cuba and the radical Arab states have expanded, and Syria and Libya have funneled Soviet-made equipment into Iran.

These developments suggest that the USSR's prospects for further gain are promising.

In spite of these favorable trends, the Soviet media have been critical of Iranian policies. A *Pravda* article on 9 March 1982 provided the most authoritative and wide-ranging list of Soviet complaints against Iran since the revolution, citing numerous slights as evidence of Iran's hostility. In the article, commentator Pavel Demchenko expressed concern that conservative clerical elements were gaining influence in Tehran, charging that rightwing elements around Khomeini were seeking to block good relations with the USSR.

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Subsequent Soviet commentary, particularly in Persian-language broadcasts from Baku—on the so-called National Voice of Iran (NVOI)—has repeatedly condemned Iran's support for the Afghan insurgents, the repression of "genuine revolutionary forces" (the Soviet-backed Tudeh Party), and Iran's developing relations with Turkey and Pakistan, which it calls "puppets" of the United States.

These criticisms probably reflect serious Soviet doubts about the direction of Iran's revolution and the implications for Soviet interests:

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- Having supported the radical clerics now in positions of power, the Soviets must be disappointed that Iran's anti-Soviet orientation has not diminished.
- Longstanding Soviet-Iranian differences on natural gas shipments and construction of a new gas pipeline have not been resolved. Moscow is probably suspicious of Iran's proposal to cooperate with Turkey in building a pipeline to Western Europe.
- The USSR's main internal asset in Iran, the Tudeh Party, has gained little numerical strength. Its potential leftist allies have been decimated by repression and alienated by Tudeh's treachery.¹ The

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party has faced continuing repression—occupation of its offices, the banning of its newspapers, the arrest and execution of its members.

- Continuing Soviet and Tudeh efforts to penetrate key Iranian institutions probably have achieved only limited success. Soviet contacts with nationality groups have been minimized to avoid antagonizing the regime. The USSR apparently does not have sufficient leverage over the Iranian power structure to constitute a near-term threat to the regime. [redacted]

Soviet View of Iran-Iraq War

Soviet disapproval of Iran's invasion of Iraq in July 1982 has added another irritant to Soviet-Iranian relations. Since Iraq's initial move into Iran in September 1980, the Soviets have tried to maintain good relations with both combatants and have urged an early end to the war. Iran's continuation of the conflict complicates these policies. [redacted]

While the fall of Iraqi President Saddam Husayn and the spread of instability in the Gulf as a consequence of Iran's militant activity eventually might work to Moscow's benefit, either could prove detrimental. Saddam's successor, particularly an Islamic fundamentalist regime, might be more anti-Soviet than Saddam, and some conservative Gulf states might seek closer security ties to the United States. In addition, the USSR's reputation as a reliable ally would be harmed by the decisive defeat of Iraq, with which it has a Friendship Treaty and an extensive arms supply relationship, especially in the wake of the defeat in Lebanon of Moscow's Syrian and Palestinian clients. [redacted]

The USSR's ability to affect the situation is marginal, however. Its low political standing in both Tehran and Baghdad undermines a possible role as mediator, and it has few attractive options for preventing further Iranian military attacks. Exerting its limited political and economic influence almost certainly would not restrain the Iranian rulers but would antagonize them; its support for a mid-July UN resolution calling for a cease-fire and Iranian withdrawal drew an immediate rebuke from Iranian Prime Minister Musavi. Direct military intervention on behalf of Iraq

is highly unlikely. It would all but destroy Moscow's prospects for future gains in Iran. Moreover, in the event of a rapid Iranian breakthrough, the Soviets would be put in the unwelcome position of either employing the forces they had sent—which they would hope to avoid—or suffering the embarrassment of withdrawal. [redacted]

In an effort to protect their current equities in both Iran and Iraq, the Soviets probably will continue to remain aloof and maintain a generally balanced posture. They will continue to ship large quantities of sophisticated arms to Iraq and to fulfill their much smaller arms commitments to Iran. [redacted]

Soviet Options and Prospects

The Soviets almost certainly will maintain their current emphasis on courting Tehran, while building internal assets for the long term. This option is desirable so long as Iran maintains its anti-US orientation, Moscow has a chance of making further gains, and pro-Soviet elements are not sufficiently strong to mount a successful challenge. [redacted]

Within the framework of their current policy, the Soviets have limited flexibility. In an effort to force a more responsive Iranian policy, they might intensify criticism of Iranian policies, encourage preparations for antiregime activities by the Tudeh and other leftists, and increase military preparations on their own or the Iranian-Afghan borders.² Such a policy would be constrained, however, by Moscow's continued desire to establish closer bilateral relations. [redacted]

The Soviets are eager to establish a broader military supply relationship with Iran—even though this might create strains in relations with Iraq. As in much of the Third World, arms sales and attendant training and advisory programs provide the most promising avenue for Moscow's establishment of close bilateral relations and a permanent presence. [redacted]

² The Soviet decision to operate close to the Iranian-Afghan border last April, which led to an inadvertent incursion by Soviet troops into Iran and an Iranian protest, suggested a certain lack of concern about its impact on bilateral relations. Future operations of this kind could be considered as a means of pressuring Tehran. [redacted]

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The Soviets are unlikely to offer economic concessions, as demonstrated by their stand on natural gas pricing, but they will be forthcoming in providing transshipment services, participating in development projects, and selling technology and equipment. [redacted]

instability within Iran, it might increase instability on the USSR's own borders. These factors militate against its adoption unless the Soviets believe that virtually all these negative developments are already in train. [redacted] 25X1

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Given Iran's current leadership, Soviet efforts are likely to have only marginal success. Tehran has not proved vulnerable to pressure tactics thus far and is unlikely to become so. Iran's leaders have made clear their distaste for cooperating with the Tudeh internally or the USSR externally and have dealt with each only to the extent considered useful. They have preferred to purchase civilian and military equipment from the Third World and Europe. [redacted]

Soviet consideration of military intervention in Iran could be prompted by several developments—a US military move into Iran or the threat of such a move; the collapse of the Tehran government, threatening prolonged chaos or civil war and disruption in border areas; or seizure of power by a leftist Iranian faction seeking Soviet assistance. Articles 5 and 6 of the Soviet-Iranian treaty of 1921 would provide a legal pretext for intervention.³ [redacted]

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The incapacitation or death of Khomeini, however, might remove a major obstacle to gradually improved relations, and clerics less suspicious of Soviet intentions might emerge dominant. Such a development could produce some warming in relations, involving increased economic and military cooperation. So long as Islamic fundamentalists remain dominant, however, anti-Communism, suspicion of Soviet intentions, and opposition to the Soviet presence in Afghanistan probably will limit relations. [redacted]

Although such developments could prompt Soviet military action, the relatively low level of Soviet preparedness on the Iranian border suggests that the Soviets are not planning to intervene in the near term. There are major disincentives to military intervention:

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- It would constitute a direct challenge to vital Western interests, possibly leading to a major confrontation with the United States.
- Intervention in another Third World country would seriously damage the USSR's image in many countries where it is seeking closer relations. 25X1
- The Soviets would have severe problems maintaining occupation forces in fiercely xenophobic Iran. Iran's successful response to Iraq's attack has probably strengthened Soviet perceptions on this score as have the USSR's own problems in Afghanistan. [redacted]

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A change in Iran's leadership could produce a government that is even more actively anti-Communist and anti-Soviet than the current regime. Should Moscow believe its interests were threatened significantly, it might intensify its program of covert action designed to destabilize the government and, ultimately, subvert and overthrow it. [redacted]

More likely than the actual resort to military force is Moscow's use of the threat of intervention to intimidate Tehran or deter US intervention. If they believed that political developments in Iran were leading to the possible emergence of a pro-US regime, the Soviets

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Moscow could instruct the Tudeh Party to go underground and oppose the regime. A Soviet program of large-scale military and logistic assistance, facilitated by porous borders, would improve the capabilities of Tudeh and other leftist groups and increase their ability to threaten the government. While the prospects for success would be slim under a strong regime, they would increase should Iran begin to disintegrate politically. [redacted]

³ These articles give the USSR the right to intervene in Iran under certain circumstances. Iran unilaterally abrogated them in November 1979, but the Soviets have refused to recognize the action and have frequently referred to the treaty as a living document. [redacted]

Significant support for subversive activity would carry severe risks for the USSR. It would further damage Soviet-Iranian relations and might result in the effective destruction of Tudeh within Iran. By promoting

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probably would warn, as they did in November 1978, that foreign interference in Iran would affect Soviet security interests. They might complement this warning with a show of military force near their borders with Iran or an increase in cross-border activities on the Iran-Afghan border.

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**Soviet Military Posture
Opposite Southwest Asia**

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Background

Until the late 1970s the Soviets regarded Southwest Asia as secondary to their major security concerns—NATO and China. Indeed, Soviet forces in the military districts (MDs) nearest the area (the North Caucasus, Transcaucasus and Turkestan) were largely intended for operations in theaters outside Southwest Asia. The units in the Transcaucasus and North Caucasus were oriented against eastern Turkey, and those in Turkestan against western China. Moreover, Soviet exercises postulated that these forces would fight on the peripheries of the main theaters rather than conduct major independent operations.

new motorized rifle division was formed in the Turkestan MD in 1979-80.

Organization. The composition of the ground forces in these three MDs differs considerably from that of Soviet ground forces elsewhere. The Soviets have apparently organized their ground forces in this region to accommodate the forbidding problems of movement across mountainous terrain. In contrast to the large numbers of tank divisions opposite NATO and China, there is only one tank division in the entire region. The other divisions, including those in Afghanistan, consist of 28 motorized rifle divisions (MRDs) and two airborne divisions.

Local conditions contributed to the neglect of this area by the Soviet military planners. The mountainous terrain and the poor transportation networks in the three MDs imposed major obstacles on even the limited operations which were envisioned in exercises. As a result, the area was treated largely as a backwater by the Soviet military.

Divisional armor, artillery, and support units in this area are smaller than comparable units elsewhere. For example, motorized rifle regiments in these divisions generally have only a tank company (10 tanks) instead of the usual tank battalion (40 tanks). Smaller subunits reduce the need for manpower, and the wartime strength of these divisions after mobilization would probably average only 10,000 to 11,000. (For comparison, the divisions opposite NATO and China would average more than 12,000.)

Ground Forces

Soviet military capabilities opposite Southwest Asia were reduced significantly as a result of the buildup along the Sino-Soviet border in the late 1960s and early 1970s. The principal impact of the Sino-Soviet border buildup was felt in the late 1960s, when the larger part of the Turkestan MD was split off to form the Central Asian MD, positioned opposite China. The reductions in capabilities were not universal: several new divisions were formed in the region during these years, and the Transcaucasus MD (which bordered NATO forces in eastern Turkey and CENTO forces in Iran) did not lose any units to the buildup. On balance, however, the emphasis on the Sino-Soviet border caused a net loss to Soviet forces opposite Southwest Asia.

Readiness. In peacetime, most of the divisions opposite Southwest Asia are manned at very low levels, as shown in the table. Excluding the Soviet forces in Afghanistan, only five of the Soviet divisions in the region are considered "ready." ¹ All of these "ready" divisions are in the Transcaucasus.

The low level of peacetime manning in the region restricts the levels of training that can be conducted.

¹ The Soviets describe their units as "ready" or "not ready" on the basis of manning and include several less formal gradations in each category. In general, "ready" divisions can begin military operations shortly after mobilization and "not ready" divisions require extensive additional preparations and training.

The invasion of Afghanistan prompted the first major change in Soviet forces in the region since the border buildup. Two motorized rifle divisions and one airborne division were introduced into the region and a

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Figure 1
Military Districts Opposite Southwest Asia



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Soviet Divisions Opposite Southwest Asia

	North Caucasus	Transcaucasus	Turkestan	Afghanistan	Total
"Ready" divisions					
Full strength ^a					
Airborne ^b	0	1	0	1 ^c	2
Other	0	0	0	3	3
Reduced strength I ^d	0	0	0	0	0
Reduced strength II ^e	0	4	0	0	4
"Not Ready" divisions					
High-strength cadre ^f	3	2	4	0	9
Low-strength cadre ^g	4	5	1	0	10
Mobilization base ^h	2	1	0	0	3
Total	9	13	5	4	31

^a Full-strength divisions are fully equipped and are manned at 95 to 100 percent.

^b All airborne divisions are full strength.

^c One airborne division was disbanded in Afghanistan in 1980, and its subunits were attached to other units. These subunits, which are equivalent to a second division, are not shown as a division in this table.

^d These divisions are fully equipped and are manned at 70 to 85 percent.

^e These divisions are fully equipped and are manned at 55 to 70 percent.

^f These divisions are manned at 25 to 40 percent and would require additional vehicles.

^g These divisions are manned at 5 to 25 percent and would require a large number of additional vehicles.

^h A mobilization base is a depot that contains the major combat equipment for a division but is not manned in peacetime.

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"Not ready" divisions are rarely able to conduct training above the battalion level. In the past, the Soviets have required such units to conduct training from the individual refresher level through divisional exercises before reclassifying them as ready for offensive operations. We judge that even after mobilization brought them up to strength, the "not ready" units in this area would need at least a month of training before they could undertake offensive operations in Southwest Asia.

opposite NATO's Central Region are concentrated in "ready" divisions in Eastern Europe and the western USSR, and therefore a significant percentage of Soviet military power in that region would be available shortly after mobilization. In contrast, the five "ready" divisions in the Transcaucasus represent only half of the Soviet ground forces combat potential in the area upon mobilization. To realize the rest of that potential, the "not ready" units must integrate and train large numbers of reservists.

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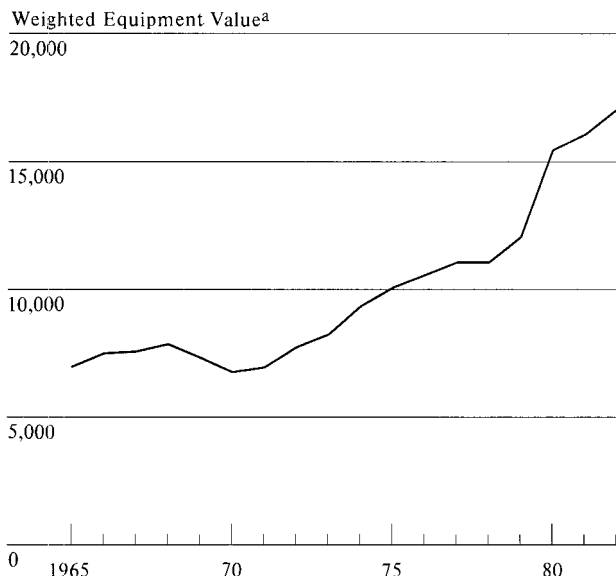
The low level of manning in the "not ready" units in peacetime also emphasizes the importance of reservists to Soviet military capabilities in the area. Although Soviet units in every theater require the mobilization of reservists, the degree of dependence on reservists varies widely among the theaters. For example, most of the Soviet military capabilities

The Soviets have undertaken only minor changes in the manning of divisions in these MDs since the invasion of Afghanistan. One unit near the Iranian border in the Transcaucasus was raised from a low-strength to a high-strength cadre division in mid-1979. This minor increase in manpower, however,

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Figure 2
Weighted Equipment Value of Soviet Forces
Opposite Southwest Asia



^a The weighted equipment value (WEV) of a weapon is a numerical estimate of its effectiveness based on engineering studies of its firepower, mobility, and armor. The scores in this graph were derived by applying the WEV methodology to US estimates of the inventories of Soviet forces opposite Southwest Asia contained in the Land Armaments and Manpower Model (LAMM).

permits only slight improvements in the level of training within the unit. More recently, one mobilization base division in the North Caucasus MD apparently was moved from the interior of the district to its border with the Transcaucasus MD. The unit may have been activated as a low-strength cadre division in the past year.

Equipment. While the number of divisions in the three MDs has remained stable between 1974 and 1979, their equipment has improved steadily, as shown in figure 2. The introduction of modern infantry fighting vehicles (IFVs) and additional artillery has increased their mobility and firepower. Even so, the divisions in this area have been among the last to receive new equipment, and their weapons are generally older and less effective than those of comparable

units in other theaters. Shortages of equipment, particularly IFVs, continue, and some of these units still use trucks to transport infantry.

Logistics. The difficulty of providing logistic support for the units opposite Southwest Asia remains a serious limitation on Soviet military operations in the area. Supplies sufficient to support a major campaign probably are available in the three MDs. However, maintaining an adequate flow of supplies over extended distances and through difficult terrain would present formidable problems to the Soviet logistic system.

Soviet divisions typically carry sufficient supplies for several days of combat; beyond that, they depend on higher commands to provide further supplies. In this region, however, the divisions have fewer transport vehicles to carry supplies than the typical Soviet division, and the higher commands at army and corps level there are not currently equipped to take up the slack. The large numbers of vehicles required to correct these shortcomings would have to be requisitioned from civilian motor pools upon mobilization.

Effectiveness. The improvements noted in equipment effectiveness in these three MDs have been part of the general modernization of the Soviet ground forces rather than a specific buildup in the region. On the basis of US calculations of the weighted equipment values (WEV) of the weapons there, Soviet weapon effectiveness in this region has more than doubled since 1966 (see figure 2). Moscow is not giving greater emphasis to these forces, however; over the entire period they have improved at about the same rate as the Soviet ground forces as a whole.

Air Forces

There are nearly 800 fixed-wing combat aircraft in the three MDs opposite Southwest Asia. They include about 200 fighter-bombers, some 525 fighters and interceptors, and nearly 70 reconnaissance aircraft. In recent years the air units in the region have received new aircraft at a slightly faster rate than those in other areas, and modernization standards achieved elsewhere are being met after some years of neglect.

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The Soviets are replacing some 70 older interceptor aircraft assigned to two former National Air Defense regiments with 90 fighter-bombers. They apparently feel the need to increase their ground attack capabilities in the region. Nevertheless, they have not chosen to establish a national-level air army there equipped with longer range ground attack aircraft, as they have done opposite NATO and China. [redacted]

Before the Soviets could undertake a large-scale campaign in Southwest Asia, they would have to increase the peacetime manning levels of combat units and improve the logistic transport capabilities in the region—activities that would be highly visible and take several months. Long-term preparations for a campaign in Southwest Asia probably would also include improvements to the region's road and rail system. [redacted]

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Implications

The Soviet military forces opposite Southwest Asia could not undertake a major military offensive in the area, such as a campaign to occupy the Persian Gulf region, without extensive preparations and postmobilization training. The five "ready" divisions in the Transcaucasus could cross the Soviet border into Turkey or Iran shortly after mobilization, but the Soviet ability to sustain them during a protracted campaign is problematic. The low levels of manning and training in the "not ready" divisions—the majority of the force in this area—and the inadequacy of the regional transportation network would place major constraints on Soviet offensive military operations. In addition, the Soviets would have to shift some medium or light bombers into the area because the tactical fighter-bombers currently deployed there have a limited range. [redacted]

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**Sino-Soviet Relations:
The View From Moscow** [redacted]

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Soviet concern over the prospect of becoming "odd man out" in the US-USSR-China triangular relationship dates back to the mid-1960s and increased sharply after the Sino-Soviet border clashes in March 1969. Moscow responded during the 1970s by making strenuous and frequent attempts to secure a diplomatic breakthrough with China. It also sought to prevent the drawing together of the United States and China, while promoting its own detente with Washington. These efforts produced mixed results at best while Mao was still alive, and Moscow has lost ground since his death in September 1976. The Soviets have not written off China, however. Instead, they have launched a new campaign to persuade the Chinese to resume their political dialogue, and the two countries reportedly will hold "exploratory talks" on border issues and other state-to-state matters in Beijing next month. [redacted]

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Soviet Initiatives

Over the past year and a half, the Soviets have made several overtures to the Chinese. They have stressed the possibility of easing tensions along the Sino-Soviet border but have indicated a willingness to take small concrete steps in almost any area of the bilateral relationship:

- President Brezhnev, at the 26th CPSU Congress in February 1981, raised the possibility of confidence-building measures (CBMs) for the Far East, a concept that has particular relevance for the border issue. The Soviets proposed private bilateral talks on the subject in August of last year and hinted that Mongolia could be a party to such an agreement, a point on which the Chinese would insist.
- Moscow tried another tack in September 1981 by proposing a new round of border talks. (The last round was held in Beijing in June 1978.) The Chinese reply in December agreed in principle but stressed the need for "serious preparations." The Soviets—frustrated by the lack of progress on this

matter—responded with a second note in early February, calling on the Chinese to set a date for the next round of talks.

- Premier Tikhonov stated, during an interview in the Japanese newspaper *Asahi* later in February, that Moscow was prepared to take "concrete steps" to improve relations.
- Brezhnev, in his speech at Tashkent in March, reaffirmed Moscow's interest in easing tensions along the frontier and expressed a willingness to improve relations in any nonpolitical area. He insisted, however, that such improvements could not be at the expense of the USSR's friends or allies. 25X1
- Moscow has followed up by floating several ideas on expanding economic, scientific, or cultural relations.

[redacted] We believe they may be willing to dispatch advisers to China as well as relax export curbs on high-technology items. [redacted]

"People-to-People" Contacts

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These overtures have been made against a background of increased low-level nonpolitical contacts. Chinese sports teams have competed in three or four events in the USSR this year, and the Soviet athletes who participated in a track meet at Beijing in June were the first to visit China since 1965. Academic and cultural exchanges also seem to be on the upswing.

[redacted]

The two sides have also expanded economic cooperation. Bilateral trade will increase about 20 percent in 1982 but will still be well below the level achieved in 1980 and earlier. Trade reportedly would have doubled this year if Moscow had been willing or able to fill Beijing's orders for raw materials. Cross-border

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trade will be resumed at the local level, and the two sides reportedly will exchange technical delegations in the silk and fisheries industries in the near future, the first such exchanges since the 1960s. In addition, an agreement reached in February permits China to ship containerized goods to Eastern Europe and Iran via the Trans-Siberian Railroad and gives the USSR transit rights through northeast China to the Far East. [redacted]

Beijing's Political Response

Despite increased contacts, the Chinese public response to the political overtures has been cool. Beijing has, for example, publicly responded to Brezhnev's Tashkent speech by calling for deeds not words. It is still demanding a sharp reduction in Soviet forces along China's border, the withdrawal of Soviet troops from Mongolia and Afghanistan, and an end to Soviet support for Vietnamese activities in Laos and Kampuchea. Beijing has ruled out any warming in relations until its preconditions are met and—to emphasize this—has stated [redacted] that changes in Sino-US ties will not alter China's hostility toward the USSR. [redacted]

The Soviets are, nonetheless, relieved that the Chinese have not closed the door entirely to improved relations. Beijing has not, for example, formally rejected Brezhnev's CBM proposal, [redacted]

[redacted] Instead, the Chinese have held discussions with several Soviet officials who have visited Beijing during the past year or so. A Chinese Foreign Ministry official also recently visited Moscow to meet with Soviet officials—the first middle-level Chinese official to visit Moscow since normalization talks were held there in late 1979.

[redacted]

Sticking Points

Little if any progress has been made to date toward settling the main points in contention—most notably, the border dispute. The Soviets reject China's territorial claims and insist they will only agree to resurvey

the border in certain areas and replace the old markers where necessary. They have hinted at possible troop cuts along the Sino-Soviet frontier but insist that a military disengagement—almost certainly China's leading concern—must be a two-way process. Moscow is, in the meantime, continuing its military buildup—in both qualitative and quantitative terms—and now has 52 divisions deployed opposite China. That fact almost certainly looms largest in any calculation by the Chinese of Soviet intentions to seek changes in the bilateral relationship. [redacted]

Moscow also has been unyielding with regard to the Soviet presence in Mongolia, Afghanistan, and Vietnam. Furthermore, the Chinese suspect Moscow is at least partly responsible for the unrest in Tibet and Xinjiang in recent years, and they resent Soviet efforts to thwart the Sino-Indian border talks. Moscow is mistrustful of Chinese attempts to improve relations with the East European countries and has been critical of Beijing's efforts to stiffen West European resistance to the Soviet threat. Both sides continue to compete elsewhere in Asia, and neither seems ready to curb competition in other parts of the world. [redacted]

Soviet Motives

Moscow's positive gestures suggest a desire to probe for attitudinal changes in a period of Chinese leadership flux. The Soviets also seem determined to prevent further erosion of their position in the US-USSR-China triangular relationship and to win back at least some of the ground they have lost in that relationship over the past decade. The Soviets, who have long been apprehensive about becoming the "odd man out," apparently see both new threats and opportunities in developing Sino-US relations. [redacted]

Secretary Haig's visit to Beijing in June 1981—together with the announcement that Washington was considering arms sales to China—probably appeared particularly threatening. Moscow's desire to forestall closer US-Chinese ties, as well as its perception that it

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faced renewed US competition in the defense field, probably gave impetus to those who argued for new initiatives toward China. [redacted]

In the months following the Haig visit, however, the Soviets—judging from their public and private statements—perceived a growing rift between Washington and Beijing as well as a reluctance in China to become too closely associated with the West. Although they still appear to be debating the dimensions of this rift, Brezhnev's statement at Tashkent regarding Soviet support for Beijing's sovereignty over Taiwan was a clear attempt to capitalize on Sino-US frictions over that particular issue. [redacted]

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Moscow is probably not overly optimistic that this friction can be immediately translated into improved Sino-Soviet relations—especially in light of the US-China communique on the Taiwan issue last month. But it may think that an easing of pressure and polemics—with its implication of an eventual rapprochement—could lead the United States and its allies to question the wisdom of helping China to modernize its economy and defenses. Moscow may also think that, at a minimum, an absence of Soviet pressure will create an environment in which Chinese disillusionment with the United States could fester. Furthermore, Moscow has long had an interest in persuading Washington that Sino-Soviet ties are not frozen—an effort to increase its leverage with Washington and curb Beijing's ability to encourage the United States to take strong anti-Soviet stands elsewhere in the world. [redacted]

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Moscow probably expects other, more immediate benefits as well—for example, an easing of Chinese hostility toward the USSR on a wide range of issues. The Soviets want the Chinese to tone down their opposition to the Soviet presence in Afghanistan and Vietnam and to stop harping on the danger of Soviet "hegemonism" in other parts of the world. Even a partial "thaw" would ease the pressure on the USSR's main allies in Asia and reduce the danger of a US-China-Japan "alliance" against the USSR in the Far East—a prospect that, however unrealistic, seems to trouble the Soviets considerably. Moscow also would expect other Asian states—for example, the ASEAN countries—to become more susceptible to Soviet influence and/or suspicious of Chinese intentions. [redacted]

Moscow's initiatives also may have been promoted by Soviet domestic considerations. Brezhnev and his colleagues are, for example, keenly aware of the cost of the Soviet military buildup opposite China. We estimate that spending for forces in that area accounted for about 10 percent of Moscow's total defense expenditures during the past decade. The political leadership probably would like to stabilize or even reduce expenditures for these forces, if only because of the slowdown in Soviet economic growth and the intensified military competition with the United States. The Soviet leaders are, at the same time, concerned about the vulnerability of Siberia and the Soviet Far East, and thus want better relations without giving Beijing any more than minimal concessions in the military sphere. [redacted]

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Kremlin politics are also a factor in the Soviet deliberations. The deaths of Premier Kosygin in late 1980 and Party Secretary Suslov early this year removed two powerful Politburo members from the scene and may have made it easier for Brezhnev and the remaining members of the top leadership to adopt a more flexible tone on Sino-Soviet issues. Meanwhile, time is running out for Brezhnev, who presumably would like to achieve one more success as a world statesman before departing the political stage. [redacted]

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Chinese Intentions

Beijing has a number of objectives in mind in expanding low-level contacts with Moscow. It sees these steps as a way of easing tensions and opening people-to-people contacts without altering its fundamental disagreement with the USSR on a broad range of bilateral and international issues. At the same time, the Chinese want to introduce a greater measure of flexibility in their approach to Sino-Soviet relations and no doubt hope to use the fledgling political dialogue to acquire more leverage in dealing with the United States. [redacted]

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There is no sign, however, that the Chinese believe the USSR is preparing to make concessions over the main contentious issues. In particular, we believe Beijing will hold firm as long as Moscow refuses to make substantial cuts in its military forces along the common border. In any event, Beijing can be expected to

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regard the USSR as its major adversary indefinitely, and—while possibly expanding contacts—will almost certainly continue to give top priority to opposing Soviet “hegemonism.” [redacted]

Prospects

Neither the Soviet Union nor China appears ready to make major concessions on the border dispute or other contentious issues dividing them at present. The USSR’s attitude is colored by an ideological and national animosity toward China which makes the Soviets suspicious of Chinese motives and intentions. Furthermore, Moscow is convinced that despite China’s economic and military weakness, Beijing can best be dealt with by a continued strong military presence on its border. This view is, at the same time, accompanied by a genuine fear that China poses an unpredictable threat to both the USSR and its interests abroad. [redacted]

Another impediment to settling these issues is the absence of a constituency in Moscow with a direct stake in improved relations. The USSR’s most powerful interest groups—the party bureaucracy, the military establishment, and the security services—all profit somewhat from the present situation. Moreover, following Brezhnev’s departure, his heirs will be jockeying for position, and none of them will want to risk being called “soft” on China during a succession struggle. [redacted]

Moscow is thus unlikely to make the major military or political moves that Beijing appears to be demanding, and any dramatic improvement in relations in the near future is unlikely. The two sides will, at the same time, continue to probe the possibilities for significant movement in one area or another—if only to increase their leverage vis-a-vis the United States, Japan, and other third parties. The Soviets, moreover, could make certain positive gestures in the next few weeks—for example, tone down their radiobroadcasts to China, especially those directed at the minorities along the border. They also could hold out the prospect of significant concessions at the talks in Beijing next month, and might even yield some ground in advance—for instance, curb their military patrols into contested areas along the border. The Soviets are not likely to give away other bargaining chips, however, lest this merely whet the Chinese appetite. [redacted]

The Soviets could make a more dramatic move at the talks in Beijing next month, especially if they were satisfied that the Chinese would not just up the ante. Moscow could announce a limited troop withdrawal from the border with China and/or a freeze on SS-20 deployments in the Far East. An alternative would be to accept the main channel as the border on the Ussuri and Amur Rivers without restating the USSR’s reservation that the Soviets must retain possession of Heixiazi Island, opposite Khabarovsk. Such moves would fall well short of China’s stated preconditions for improved relations but would point to a Soviet willingness to discuss the border issue and other matters seriously and could lead to a further easing of tensions [redacted]

In sum, we do not expect the talks next month to produce a major breakthrough, but think both sides will want to keep their budding dialogue going. The Soviets realize that breaking their impasse with the Chinese, provided it does not require a total capitulation on Moscow’s part, could offer great rewards. Their success in the matter certainly would put them in a better position to compete with the United States throughout the world—for example, by allowing them to cut Soviet defense spending (and thus free resources for foreign aid projects, as well as civilian sectors of the domestic economy) and/or reallocate portions of the defense budget to programs directed primarily against the West. It also would give the Soviets a freer hand in the Third World, where they presumably would face less opposition from China, while making Europeans—East and West—more wary of Soviet intentions and reluctant to get into a confrontation with the Kremlin. [redacted]

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Soviet Military Developments on the China Border

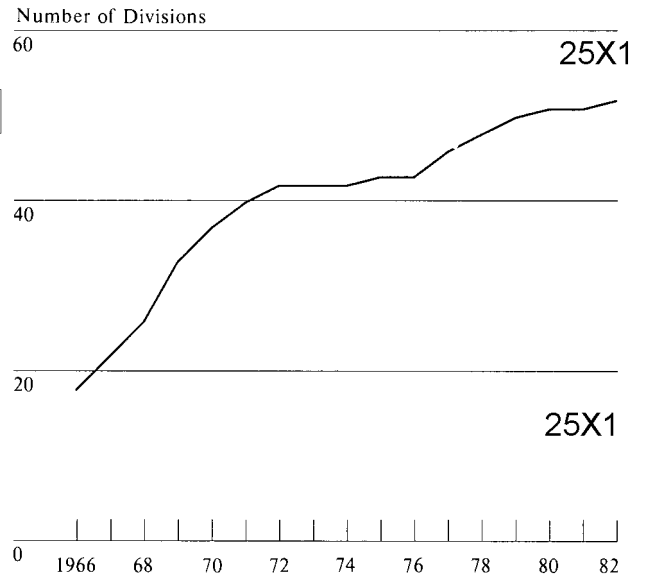
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The Soviet Union has substantially increased its ground and air forces opposite China since the mid-1960s while simultaneously modernizing these forces and improving their logistic infrastructure. Over the next decade, the augmentation and modernization of these forces probably will continue as the Soviets attempt to redress perceived vulnerabilities in their force structure along the Sino-Soviet border.

Ground Forces

Since the middle 1960s the number of active Soviet divisions along the Sino-Soviet border has tripled (see figure 1). Soviet ground forces opposite China now number approximately 435,000 men in 52 combat divisions and higher echelon combat service support units. These forces constitute over 25 percent of the total manpower of the Soviet ground forces; in 1965 they were only 10 percent of that total.

Figure 1
Soviet Active Divisions Opposite China



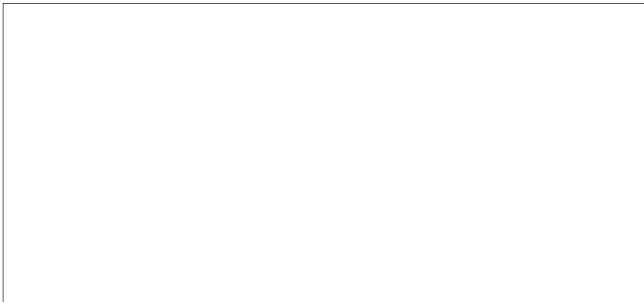
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The buildup of Soviet ground forces in the region opposite China can be divided into two fairly distinct periods. The first—from 1965 through the early 1970s—was characterized by rapid growth in the number of ground combat units in large part through creation of new units.

The period since the early 1970s has been marked by slower growth in the number of combat units but with emphasis on the introduction of new, more capable weapon systems into existing units and improvements in the combat support infrastructure (see figure 2).

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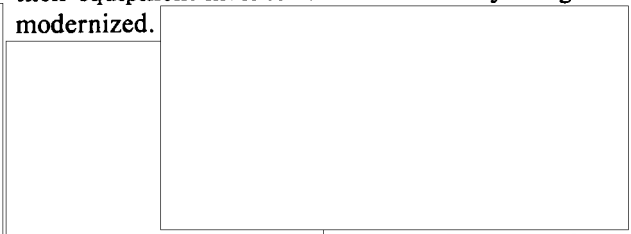


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their equipment inventories are continually being modernized.



Soviet equipment modernization in this region moves slowly, however, and

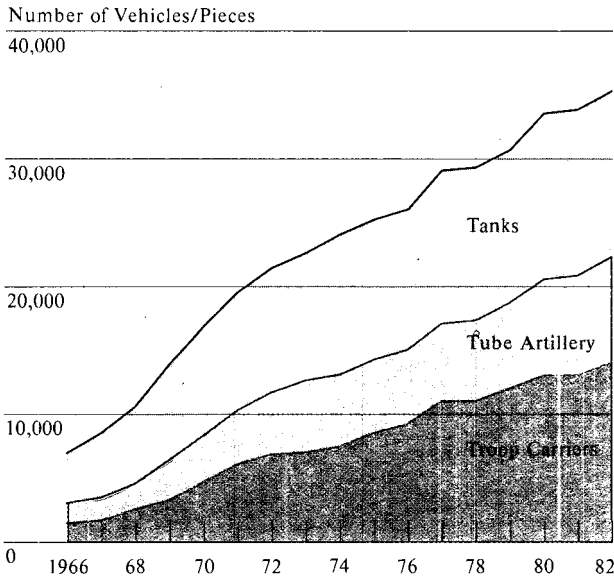
Soviet ground forces along the Sino-Soviet border are not as well equipped as those in Eastern Europe, but

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Figure 2
Major Combat Equipment of
Soviet Ground Forces Opposite China



MIG-27 Flogger fighter-bomber and the SU-24 Fencer light bomber. These aircraft have greater ranges and can deliver guided munitions with greater accuracy than the older aircraft, which carry free-fall bombs or unguided rockets. In tactical air defense forces, the MIG-21 Fishbed is being replaced with the MIG-23 Flogger, which has greater range and an all-aspect intercept capability including a limited ability to detect, track, and destroy targets flying at a lower altitude. [redacted]

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The size of the Soviet territorial air defense interceptor force (formerly PVO Strany) opposite China has declined somewhat since the mid-1960s, but more modern interceptors including the Flogger, MIG-25 Foxbat, and SU-15 Flagon have been introduced and now constitute over three-quarters of the force. [redacted]

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The number of attack, transport, and general purpose helicopters deployed along the border has also grown significantly since the mid-1960s—from under 100 in 1965 to about 1,200 today. Helicopter units perform direct air support, air assault, artillery spotting, electronic warfare, and a variety of other missions. Of the 750 attack and transport helicopters in the eastern USSR, over 500 are MI-24 Hind or MI-8 Hip versions configured for ground attack. [redacted]

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As part of the force-wide Soviet Air Force reorganization, a theater-level air army has been created in the Soviet Far East. It is equipped with some 215 medium and light bomber aircraft, including two regiments of TU-22M Backfires, three regiments of TU-16 Badgers, and three regiments of SU-24 Fencers, as well as one regiment of fighters. [redacted]

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many major replacement items are not the newest models, probably in part because of the low technological level of Chinese forces. [redacted]

Air and Air Defense Forces

The number of tactical, fixed-wing combat aircraft opposite China increased from about 220 in 1965 to a current total of about 1,100. Over half of these aircraft have a primary mission of ground attack; the remainder perform air defense and reconnaissance roles. [redacted]

Since the mid-1970s, the rapid growth of these forces has given way to the replacement of older aircraft with newer, more capable models. Soviet ground attack regiments, for example, are being equipped with the latest models of the SU-17 Fitter and

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Tactical Considerations

The vastness of the Sino-Soviet border region and the limitations and vulnerabilities of its transportation network would pose major problems for the Soviets in a large-scale war with China. The Trans-Siberian Railroad—the only complete rail link between the European and Asian portions of the USSR—is vulnerable to interdiction by regular or paramilitary Chinese forces. The remoteness of the region and the long supply lines from the western USSR make the Soviet Union highly dependent on standing forces and pre-positioned stocks along the China border.

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Chinese forces are not capable of conducting large-scale offensive operations inside the USSR. But Siberia's main lines of communication and major population and industrial centers are near the Chinese border. This means that defense-in-depth is not an option for the Soviets. A Chinese breakthrough would immediately threaten strategic objectives in the Soviet rear and jeopardize the fragile reinforcement and resupply capabilities of Soviet forces.

The length of the border, moreover, also makes a complete linear defense impractical. The Soviets have therefore adopted as their preferred posture a forward defense with forces positioned for major offensive operations. The basic Soviet strategy apparently is to be in position to meet any Chinese attack with a strong rebuff and counterattack using the existing forces in the border area.

Soviet planning for war against China is based on the establishment of air superiority early in the conflict. In the event of hostilities with China, the Soviets apparently expect to achieve air superiority within the first few days, wherein air assets would be used to blunt any Chinese thrusts into the USSR and to support offensive operations into China.

Future Soviet Ground and Air Forces on the Chinese Border

we expect manpower and equipment there to increase slightly. Barring such dramatic political developments as those described in the preceding article, the number of

Soviet divisions along the border probably will increase through at least 1990—perhaps by as much as one low-strength division per year.² This is part of a Soviet Ground Forces program projected to create additional low-strength divisions in several areas within the USSR. Nondivisional assets in the Far East are also expected to be expanded in the future.

In our projection, the new divisions to be created by 1990 will be spread along the border in all four MDs

All newly created divisions are expected to be motorized rifle divisions.

One likely objective of further ground force developments along the border will be to redress the Soviet weakness in the central sector where Mongolia now serves as a buffer and where Soviet troops would oppose the many Chinese ground force units protecting Beijing. Over half of the Soviet divisions we project would be positioned for deployment into Mongolia.

² These estimates are based on an interagency projection of future trends in Soviet ground force organization and equipment using the CIA's Land Armaments and Manpower Model (LAMM) data base.

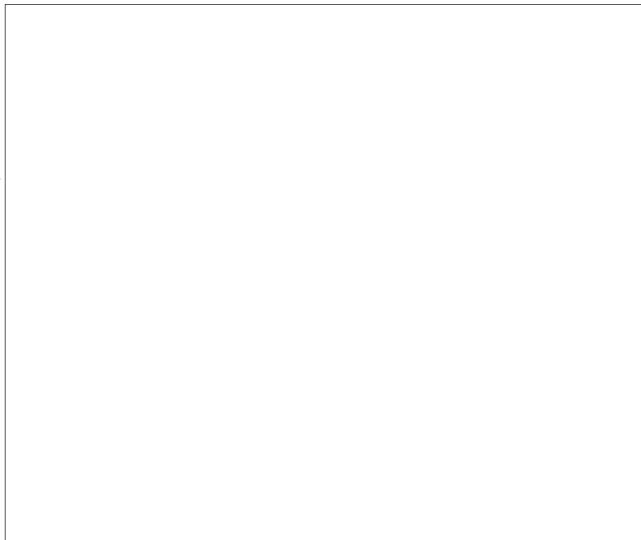
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operations against Chinese forces. The more pessimistic assessments of a war with NATO may have reduced Soviet expectations regarding the availability of reinforcements from the western USSR. [redacted]

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A serious constraint on Soviet reinforcement efforts along the China border is the increased concern over simultaneous military attacks by NATO and China against the USSR. The competition for reinforcements and resupply, and the large frontages that could be involved in a campaign against China, would severely strain Soviet capabilities to support major offensive operations in Asia if a war in both theaters should be prolonged. The Soviets would almost certainly not make a large-scale commitment of manpower and material that could compete with, and ultimately degrade, their European war effort. [redacted]

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With the exception of helicopter units, the growth of Soviet tactical air forces opposite China has leveled off in recent years. We believe that the Soviets will place less emphasis on creation of new air regiments in the next few years and will concentrate on replacing older systems with newer, more capable aircraft.



The augmentation and modernization of Soviet ground and air forces will be aimed at redressing perceived vulnerabilities opposite China to further protect Soviet lines of communication and population centers. [redacted]

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The expansion of Soviet helicopter forces in the Far East probably will continue. We believe that by the mid-1980s most Soviet armies in the region will have an attack helicopter regiment. Furthermore, we estimate that approximately half of the Soviet divisions along the border will have a squadron of helicopters, including a dozen Hips and Hinds to provide the division commander with fire support and a limited air assault capability. [redacted]



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We believe the force balance along the Sino-Soviet border increasingly favors the USSR. Although the Chinese have considerably larger forces along the border, the Soviet forces are superior in weaponry, mobility, and command, control, and communications. Soviet ground and air force equipment is being modernized more quickly than similar equipment in China, and trends in force upgrading and equipment holdings indicate that the Soviets will increase their substantial advantage over China in ground and air forces. Continuing improvements to the combat support infrastructure—including logistics, transportation, and supplies—will serve to reduce Soviet vulnerability to Chinese interdiction and increase the sustainability of forces in the area. [redacted]

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Implications

The stationing of large numbers of ground and air units along the border and their continual augmentation and modernization may reflect an increased Soviet assessment of forces required to defend Soviet territory and engage in offensive operations into China. We believe that since the early 1970s the Soviets have increased their estimates of potential Warsaw Pact losses in a war against NATO.⁴ The Soviets may have similarly revised calculations for



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The Economic Costs of Soviet Involvement in Afghanistan [redacted]

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The economic costs of the Soviet involvement in Afghanistan have been a small part of total Soviet military expenditures. We estimate that during 1981 the Soviets spent less than 500 million rubles (2.5 billion in dollar cost terms) in direct support of their forces in Afghanistan.¹ In addition, the value of the equipment lost in 1981 was about 300 million rubles (\$0.5 billion). Together these two sums are equivalent to about 1 percent of estimated total military spending in rubles for that year. [redacted]

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Furthermore, there is no evidence that dislocations resulting from the involvement have had a significant negative impact on civilian sectors of the economy. Unless the Soviets decide to increase substantially their commitment to Afghanistan in the future—and at present this seems unlikely—the economic costs of maintaining the existing situation probably will not be a primary determinant of Soviet policy. [redacted]

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The Extent of Soviet Involvement

The Soviets are halfway through their third year of trying to crush an insurgency in a Muslim country. Their initial expectation was that this could be accomplished in a matter of months. The level of opposition is greater than they expected, however, and their efforts are being thwarted by the Afghan Mujahedin—a collection of small, fiercely independent groups who form temporary bands for the purpose of engaging Soviet and Afghan Government forces in unconventional warfare. [redacted]

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Soviet and Afghan troops are able to conduct operations throughout the countryside at will, but the Afghan Army and the Soviet contingent are too small to occupy permanently more than the major urban areas of the country. They are not able to exercise more than temporary control over any rural territory.

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¹ All ruble estimates are expressed in 1970 prices. Unless otherwise stated, dollar cost equivalents are expressed in 1980 prices and represent an estimate of what it would cost to procure, operate, and maintain an equivalent force of men and equipment in the United States. [redacted]

The Mujahedin typically withdraw in the face of superior forces, then return after Soviet forces withdraw at the close of an operation. [redacted]

The number of Soviet military personnel currently estimated to be in Afghanistan is 100,000. This amounts to slightly less than 2 percent of total Soviet armed forces and about 4 percent of all ground and air forces—the main suppliers of Soviet manpower in Afghanistan. The contingent has grown by only about 15,000 men since mid-1980. [redacted]

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Direct Military Costs of the War

We estimate that in 1981 the Soviet military in Afghanistan spent 480 million rubles (\$2.5 billion) for operations and maintenance, personnel, medical treatment, construction, ammunition, and equipment repairs. Some 325 million rubles (\$1.3 billion), or two-thirds of this amount, is estimated to be incremental—costs that would not have been incurred had the Soviets not invaded Afghanistan. The amount spent in 1981 is only slightly higher than the estimated 450 million rubles spent in 1980. Although we have not assessed Soviet outlays for 1982, it appears that Soviet military activity through August has been higher than that for the same time frame for 1980 and 1981, and we would expect, therefore, that costs will be somewhat higher also. [redacted]

If the Soviets continue to conduct the war as they have in the last two years, we can expect the fighting in Afghanistan to continue for a long time: the Mujahedin show no signs of weakness in their resolve and neither do the Soviets. It appears that the direct military cost to the Soviets of maintaining their position is at an acceptable level, at least for the present. [redacted]

Indirect Military Costs

We estimate the replacement value of Soviet equipment destroyed during 1981 at 320 million rubles (\$550 million). Nearly 95 percent of this amount

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represents Air Force equipment, particularly helicopters. The cost of replacing all Soviet helicopters destroyed in Afghanistan in 1981 would amount to 25 percent of the value of helicopters produced for the tactical air forces that year. By comparison, the cost of replacing Soviet Ground Forces equipment destroyed in 1981 amounts to 1 percent of the value of 1981 land armaments production. [redacted]

We do not have evidence that the Soviets have increased armaments production to replace equipment losses in Afghanistan. Current levels of production and inventories of all equipment of the types used in Afghanistan are more than adequate to cover these losses. [redacted]

We are unable to estimate with much confidence either the total value of Soviet-supplied equipment in the hands of Afghan troops or the value of destroyed and damaged Afghan equipment that may have been replaced by the Soviets. We do know that the Afghan Government is paying for past Soviet aid with earnings from the sale of natural gas. Military goods shipped since December 1979, however, are thought to be in the form of grants and, in current prices, are estimated to have been nearly \$400 million in 1980 and over \$200 million in 1981. [redacted]

Nonmilitary Costs

Overall, intervention in Afghanistan has been more of an annoyance to the Soviets than a drain on the economy. Military priorities have caused internal disruptions in such areas as transportation and construction. In the republics just north of Afghanistan, these disruptions may have been quite severe at the beginning of the intervention. Over time, however, the Soviets have been able to moderate some of these adverse effects. [redacted]

The Soviets have attempted to relieve supply bottlenecks by building new and improving old transportation routes into Afghanistan. They have laid POL pipelines and completed construction of a bridge for railroad and vehicular traffic across the Amu Darya at the USSR-Afghan border. The road from the bridge to Kabul has been improved, and eventually a railroad may be completed either to Kabul or to a logistics base. Because of the frequent attacks against

the POL pipelines and the mining of the roads by the insurgents, the Soviets have not been able to eliminate the logistic bottlenecks. [redacted]

The Soviets have been plagued for years by a shortage of railroad cars. Their involvement in Afghanistan and its requirement for rolling stock has only aggravated an already overtaxed system and has put the squeeze on some local economies: shipments of cotton from Tadzhikistan have taken a back seat to military goods, and alternative transport has not been able to take up all the slack. [redacted]

Construction workers—always in short supply—have been diverted to projects in Afghanistan. While the number involved is thought to be small, this diversion puts lower priority projects in the USSR further behind schedule. [redacted]

These disruptions, while annoying, are somewhat localized. They generate indirect costs that are impossible to calculate but not severe enough to have an observable effect on the Soviet conduct of the war. [redacted]

Adverse Reaction to the War

[redacted] "the war is very unpopular among ordinary Soviets." There have been complaints directed at the government about the lack of news concerning the welfare of military personnel in Afghanistan. The Soviets have responded to at least one of these criticisms in the press (*Pravda*), indicating some official concern about popular reaction to the war. [redacted]

This reaction generally takes the form of griping about shortages of consumer goods (which are often blamed on foreign ventures) and rumors and exchanges of information about the war, particularly among families with draft-age sons. [redacted]

[redacted] there is a "sense of panic" in the Moscow region, where the perception is that Soviet military deaths in Afghanistan number 30,000. This figure is at least six times higher than Western estimates. [redacted]

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Although we believe Soviet combat casualties are low, the return of wounded and mutilated veterans of the Afghan fighting contributes to a sense of public frustration and is in stark contrast to the government's reporting of the war. Press coverage has been limited. Articles generally are restricted to praise for the performance of individuals and units in noncombat situations. [redacted]

There is little likelihood that the Afghan military will be in a position to assume a leading role in the fighting in the near future. Therefore, the Soviets probably will not be able to withdraw their forces any time soon. To do so would invite early collapse of the Kabul government. By maintaining the status quo, the Soviets are able to support the Babrak government at what probably is an acceptable economic cost. If the insurgent forces became stronger and inflicted increasingly costly damage on them, the Soviets probably would consider increasing their military commitment. [redacted]

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Despite the casualties, there is a benefit to the Soviet military in Afghanistan: operations there provide an opportunity to test men, equipment, and tactics under combat conditions. [redacted]

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Outlook

The Soviets have few options regarding their involvement in Afghanistan. They can:

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- Launch an all-out effort to seal the borders and defeat the Mujahedin.
- Withdraw and risk collapse of the Afghan Communist Government.
- Continue on their present course. [redacted]

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According to one estimate, the first option would require more than a half million men, with no guarantee of ultimate success. The long-term economic costs of this option are probably more than the Soviets are willing to bear at present given the uncertain situation in Poland and the continuing rift with China. This is especially true if the Soviets do not see a quick end to the war even with a massive infusion of men and equipment. The low level of growth in manpower and expenditures devoted to Afghanistan makes it appear unlikely that they will choose to increase radically their level of effort in the near future. [redacted]

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Unless military, diplomatic, and internal political factors change greatly, Moscow is unlikely to withdraw from Afghanistan. We believe they will continue the limited support to the Afghan Communist Government we have witnessed so far. The present situation could continue until the Mujahedin grow weary of the war or the Soviets are able to strengthen the Afghan military to the point where it can not only begin to hold its own, but also show some progress in subduing the insurgents. [redacted]

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**The Soviet Union and Vietnam:
A Close but Uneasy Alliance** [redacted]

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The Soviet Union and Vietnam share a close but uneasy alliance based on the needs of the two sides and their hostility toward China. The Soviet Union sees Vietnam as a barrier to the spread of Chinese influence in Southeast Asia. In addition, Soviet access to Vietnamese base facilities supports the Soviet presence and military activities in the region. The Vietnamese need Soviet military assistance to defend themselves against China and to maintain their control of Indochina, and economic aid to keep their economy afloat. [redacted]

In return, the Soviet Union receives access to military facilities in Vietnam. Soviet surface ships and submarines make regular visits at Cam Ranh Bay, and this access allows an improved, if still limited, naval capability in the South China Sea. [redacted]

[redacted] They have also begun improving port facilities there and have conducted some naval air operations out of Cam Ranh Bay. In late July, Vietnamese Foreign Minister Nguyen Co Thach publicly announced in Bangkok that Hanoi was leaving its options open on the question of offering base rights to the Soviet Union if Chinese military pressure threatens Vietnam's security. [redacted]

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While these factors help to stabilize the relationship, strains continue to accumulate and almost certainly pose problems for the long-term durability of the relationship. The alliance is experiencing the most severe strains in three areas: economic relations, the Soviet role in Laos and Kampuchea, and Soviet policy toward China. [redacted]

Notwithstanding the factors that drive Moscow and Hanoi together, there are deep-seated—if not yet critical—tensions between the Soviets and Vietnamese. [redacted]

Soviet Military and Economic Aid

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Economic Issues

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The Soviet Union reportedly supplies 90 percent of Vietnam's petroleum, iron and steel, fertilizer, and cotton imports and 70 percent of its grain imports. In addition to commodity and industrial aid for some 200 developmental projects, Vietnam also benefits from the expertise of some 4,000 to 5,000 Soviet economic and technical advisers who help with planning, policy formulation, mineral exploration, and project construction. [redacted]

Economic relations are probably the most serious source of friction. The Soviets have indicated publicly and privately that Moscow is unhappy with its large economic aid burden in Vietnam (an estimated \$2-3 million a day in 1981), believes that much of its aid is wasted, and is increasingly constrained by the problems of its own economy. Finally, other Soviet involvements around the globe have presented Moscow with increasingly tough choices regarding resource allocation. [redacted]

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Soviet military aid increased to more than \$1 billion in 1979, after the Vietnamese invasion of Kampuchea and the Chinese attack on Vietnam. Although this aid was reduced to an estimated \$700 million in 1980 and \$280 million in 1981, it probably is still sufficient to meet Vietnamese needs. Soviet aid has helped Vietnam upgrade and modernize its Air Force, improved the effectiveness of its ground forces with new and more sophisticated weapon systems, and increased the capabilities of its Navy with the addition of 41 new units since 1979. Some 2,000 Soviet military advisers are in Vietnam. [redacted]

In the past three years Moscow has responded to these economic concerns with cutbacks in aid programs of great importance to the Vietnamese: [redacted]

- Soviet food exports to Vietnam were cut by 30 percent in 1980 despite serious food shortages; [redacted] food shipments were halted altogether in August of 1981.
- [redacted] Moscow in early 1982 diverted shipments of wheat flour originally destined for Vietnam to the USSR.

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- [redacted] in 1981 the USSR sharply increased the price of oil supplied to Vietnam.
- The Soviets apparently have refused to start any new developmental projects and have slowed their work on old ones. [redacted]

machinery, and heavy construction vehicles have been misused by the Vietnamese. [redacted]

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Resulting Political Friction

Soviet inability or unwillingness to meet Vietnamese economic needs was clearly demonstrated at the July 1980 summit between Brezhnev and Vietnam's Le Duan. Hanoi publicly complained that Le Duan's request for more help with the Vietnamese third five-year plan was rebuffed by Brezhnev. [redacted]

Soviet efforts to deal with the problems by tightening up the administration of aid have created resentment in Hanoi. The Soviets have been pressing Vietnam to accept large numbers of Soviet economic advisers and administrators at all ministerial levels and to replace other officials with Soviet-trained Vietnamese. [redacted]

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Hanoi's increasing frustration with Soviet tight-fistedness led to a harsh public rebuke of Moscow in the winter of 1980-81. In an interview with the *Far Eastern Economic Review*, Nguyen Lam, Vietnam's chief economic planner, complained that the Soviet Union still had not made any firm commitment to Vietnam's current five-year plan (1981-85). According to Lam, the Soviets told Hanoi that they would provide 40 percent less aid during the third five-year plan than they gave during the previous one. In addition, Lam complained that Soviet shipments, coupled with purchases of Middle Eastern oil at full world price, met only two-thirds of Vietnam's oil needs for 1980. [redacted]

Apparently in response to Soviet pressure, the Vietnamese begrudgingly made some changes in December of 1980. They replaced about half of the senior officials involved in projects sponsored by the USSR [redacted]

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Economic relations with the Soviet Union evidently became a top political issue in Hanoi in late 1981 as Vietnamese financial difficulties worsened. Anti-Soviet sentiment was reportedly voiced during a heated debate at the 11th plenum of the Vietnamese Communist Party in October and again at the December 1981 plenary session in Hanoi. [redacted]

The Soviet Role in Laos and Kampuchea

In addition to efforts to tighten up the administration of the aid it sends Vietnam, Moscow is trying to make sure that the aid it sends Laos and Kampuchea is properly handled. We believe Moscow feels that it must cultivate direct political links to Laos and Kampuchea to facilitate the aid shipments and prevent them from being diverted by the Vietnamese. [redacted]

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[redacted] Hanoi, on the other hand, wants to be an exclusive conduit for this aid and is suspicious about Moscow's efforts to improve bilateral political links to Phnom Penh and Vientiane. [redacted]

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The Soviets blame some of Vietnam's economic problems on poor planning. The Soviet Vice Minister of Transportation and Soviet port officials have privately cited instances where costly Soviet equipment,

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The Soviets have ignored Vietnam's demands to go through Vietnamese channels and have stepped up their direct ties with party, army, and governmental officials in Laos and Kampuchea. The Soviet attempt to cultivate ties with former Kampuchean Party Chief Pen Sovan and Pen Sovan's subsequent ouster (presumably orchestrated by Hanoi) suggest Soviet-Vietnamese competition for influence in Indochina. [redacted]

name tensions could result, along with an increase in Hanoi's list of economic patrons and a reduction in its economic and military dependence on the Soviet Union. [redacted] 25X1

Such a scenario could affect the Soviet-Vietnamese alliance in two ways: 25X1

China Policy

Differences over policy toward China also are beginning to develop and are a potential threat over the long term to the alliance. Unlike Hanoi, Moscow has softened its hardline anti-Chinese posture. In fact, the Soviets are seeking to improve relations with China, although they have not yet made any concrete concessions. [redacted]

- The alliance could be strengthened if Hanoi is only interested in making up for the Soviet shortfall in aid. Moscow would probably encourage Vietnam's ongoing efforts to attract West European economic donors to ease some of its aid burden. Thus a modest infusion of outside aid to Vietnam would probably reduce Soviet-Vietnamese friction over economic aid. 25X1

- On the other hand, the alliance could be weakened if Vietnam's resentment of Moscow becomes so strong that Hanoi decides to replace large amounts of Soviet economic aid with assistance from alternative sources. Such a diversification of aid would strengthen Vietnam's ability to pursue a more independent foreign policy. [redacted]

Paradoxically, a weaker alliance may also result from Vietnam's political isolation and Chinese hostility, which in the short term bring Moscow and Hanoi closer together. Over the longer term, this increasing dependence could deepen Vietnamese resentment of the Soviet embrace and could increase the existing friction in the relationship. History offers a precedent: similar factors contributed to the split between China and the Soviet Union two decades ago. [redacted]

Ultimately, the direction that the alliance takes will depend on the degree of Vietnamese dissatisfaction with its Soviet patron. As long as Vietnam continues to be reasonably satisfied with the practical benefits from the alliance, it will probably choose to remain close to Moscow. But if the strains described above become more acute, Hanoi may find support from the outside useful in backing away from what it is apparently already coming to see as an intrusive and overbearing Soviet patron obstructing its ultimate goal of an independent foreign policy. [redacted]

Outlook

Despite growing friction, we see no sign that the Soviets or the Vietnamese intend to loosen their ties in the near future. Hanoi will probably continue to believe that the alliance will provide necessary support for its military campaign in Indochina, as well as assistance in dealing with persistent economic problems and Chinese hostility. For their part, the Soviets presumably reap too many strategic advantages from the alliance to unilaterally withdraw from their commitment, despite the economic burden it creates. [redacted]

Nevertheless, the economic and geopolitical circumstances which prompted Vietnam to ally with the Soviet Union will probably not continue indefinitely. We believe Vietnam is keeping its options open for a political solution in Kampuchea that will satisfy ASEAN and encourage China to follow ASEAN's lead, if only to maintain Beijing's carefully cultivated ties to that organization. A lessening of Sino-Viet-

¹ See "Sino-Soviet Relations: The View from Moscow" in this issue. [redacted]

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Other Topics

**USSR: The Economy in the 1980s,
Dependence on the West,
and Military-Economic Trade-offs**

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The following briefing was presented to the Senate Foreign Relations Committee by Deputy Director of Soviet Analysis, on 11 August 1982.

- I. Mr. Chairman, you have asked for a briefing on three topics—prospects for Soviet economic growth in the 1980s, the degree of Soviet economic dependence—on the West in general and on the United States in particular—and the vulnerability of Soviet military programs to Western use of economic measures.
 - A. I propose to discuss each of these questions in fairly summary fashion.
 - B. My colleagues and I, however, would be happy to try to answer questions you may have at any stage of my presentation.
- II. Let me turn first to the general economic prospects for the USSR, a subject that has attracted a great deal of attention both within the government and in the Western academic community and indeed in Soviet publications over the past several years.
 - A. There is general agreement on the Western side at least that Soviet economic growth will be markedly slower in the 1980s.
 - B. We believe that GNP growth is unlikely to average more than 2 percent per year in the 1980s, compared with 3 percent per year in the 1970s, and 5 percent per year in the 1960s.
 - C. In fact, the slowdown is already under way. Growth in Soviet GNP ranged from 1 to 2 percent in 1979, 1980, and 1981, and on the basis of first-half 1982 results, we expect another year of growth below 2 percent.

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- D. To repeat, then, we are projecting a period of very sluggish economic growth compared with what the USSR has experienced in the past. I want to emphasize, however, that it is not a prediction of economic collapse. Rather, it will be a period during which a new leadership will have to make increasingly tough choices among various programs—a subject I will return to later.
- III. A prolonged slowdown in GNP growth starting in the late 1970s had long been anticipated for a variety of reasons. Some the Soviets can do little about—notably the need to rely on costlier and more remote sources of energy and other raw materials and the declining increments to the labor force. Other factors tending to dampen the rate of economic growth in the 1980s reflect policy choices, especially the decision to restrain the increase in new fixed investment because of the continuing priority for defense.
- A. Turning to these sources of slower economic growth, I will begin with the energy situation.
1. With oil production sharply declining in the European USSR and having peaked at the giant Samotlor field in West Siberia, maintaining oil output has become increasingly costly and difficult. Oil is still the USSR's major source of energy, accounting for over 40 percent of production.
 2. The coal industry is also in trouble. Reflecting inadequate past investment, production of coal—which accounts for about a quarter of energy output—declined for three straight years. Also coal quality, particularly its energy content, continues to deteriorate.
 3. Construction of nuclear power facilities is lagging behind schedule. Nuclear power now accounts for only 6 percent of electricity output.
 4. Natural gas, currently providing a little more than a quarter of energy output, is a bright spot in the energy picture. Production has been increasing rapidly, at about 7 percent a year. On the basis of huge reserves in West Siberia, the USSR should be able to sustain that rate of advance, at least as long as plans for gas pipeline construction do not hit serious snags.
 5. Because of the promising outlook for gas, the Soviet energy position is far from desperate. Nonetheless, growth in energy production in the 1980s is likely to average only slightly more than 1 percent a year.

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- B. Labor shortages are becoming more and more of a brake on the economy. The labor force, which grew by about 20 million persons in the 1970s, will increase by less than 10 million persons in the 1980s. As a result, the average annual increase in the labor force will decline to one-half percent per year in the 1980s compared with one and one-half percent per year in the 1970s.
1. Moreover, the increment in the labor force will be very unevenly distributed geographically. The Russian Republic, for example, will show no net growth in the labor force while Central Asia will account for 90 percent of the total national increment.
 2. The effect of the employment slowdown on the economy's performance could be substantial. More than any other industrial power, the USSR has relied on increases in the size of the labor force to spur development.
- C. Meanwhile, slowing growth in investment will mean that the stock of plant and equipment will not rise as rapidly in the 1980s as in the past.
1. Investment in the first half of the 1980s is slated to rise by only about 10 percent over 1976-80—by far the lowest increase in the post-World War II period.
 2. The slowdown is attributable in part to bottlenecks in sectors such as steel and construction materials that provide key investment inputs.
 3. It also can be explained by a leadership decision to maintain the primacy of defense spending—which continues to rise at about 4 percent a year—and to some increased attention to consumption.
 4. The slowing of investment growth comes at a particularly inauspicious time because the amount of capital needed to produce a unit of output—especially in energy and raw materials—is sharply rising.
- D. I will turn now to Soviet economic ties with the West. The USSR was helped considerably in the 1970s by a rapid rise in the price of its principal exports—oil, gas, and gold—and a willingness of Western lenders to support a large increase in the Soviet hard currency debt. The outlook for the 1980s is not nearly so favorable.
1. Exports of oil, which now account for over half of hard currency earnings from merchandise exports, are likely to be greatly reduced by the leveling off of oil production and by increasing consumption at home. The loss of earnings from oil that we expect will be only partially offset by increased sales of natural gas under the new contracts with Western Europe.

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2. We also think that because of production difficulties, unfriendly markets in the West, and rising domestic consumption, the USSR will do well to maintain the volume of its nonenergy exports at the 1980 level. While military sales are likely to increase, Soviet customers will have a harder time paying for them. We think a larger share will carry long repayments or barter terms.
 3. Furthermore, Soviet terms of trade vis-a-vis the West probably will be far less favorable in the 1980s than they were during much of the 1970s. The steep rises in oil prices—and in other raw materials sold by the USSR—that occurred during the 1970s seem unlikely to be repeated in the 1980s.
 4. As for Soviet imports, persistent weaknesses in the agricultural sector coupled with the leadership's commitment to improving the people's diet make it likely that the USSR will continue to spend heavily on grain and other farm products. These agricultural imports would have to come at the expense of nonagricultural imports.
- E. The USSR's external economic situation promises to be strained also by the need to give aid to its client states. East European countries, in particular, face serious economic problems of their own and will presumably pressure the USSR to continue trading with them on more favorable terms than Moscow does with the West.
1. Poland especially will probably continue to receive large infusions of aid.
 2. The resource drain on the USSR from such subsidies and aid could thus remain heavy.
- IV. Soviet leaders are well aware of their economic problems. Nevertheless, they express confidence—at least publicly—that all obstacles can be overcome by boosting productivity.
- A. In fact, however, labor productivity has been rising more and more slowly and capital productivity has been declining for several years.
1. Some of the poor performance on the productivity front can be attributed to rising costs of extracting resources, whether in Siberia or more than 3,000 feet down in a Ukrainian coal mine.
 2. We also see abundant evidence of bottlenecks in industry and transportation that, together with shortfalls in agriculture, have kept industry working at less than capacity.

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3. Part of the blame for production failures undoubtedly belongs to Soviet planners, who have made the wrong investment decisions in the steel, coal, construction materials, and machinery industries.
 4. But much of the productivity slump remains a mystery to us and to the Soviet authorities themselves.
 - a. Soviet officials often cite the lack of labor discipline in the factory and on the farm.
 - b. Certainly, the rate of growth of incentives has tapered off as the rise in personal incomes has outstripped the availability of consumer goods and services.
 - c. It is also true that factory managers are less strict with their employees because of the increasing difficulty they are having in finding new workers.
 - d. Finally, we may be seeing the expression at the workplace of a general disenchantment within Soviet society, a subject that has received a great deal of academic and popular attention in the West in recent years.
- B. In any event, we don't believe that the leadership can do anything in the next few years to turn the economic situation around.
1. Economic reform is often suggested as a remedy, and the Soviets themselves have devised numerous reforms in management and planning in the last several years.
 2. These measures do not seem to have had any impact on the efficiency of the economy. Instead, they have tended if anything to increase the degree of centralized control and intervention in enterprise management.
 3. The prospects for reforms that would truly loosen central control and move the economy toward greater reliance on prices and market forces are not bright at any time and seem especially dim during a succession period.
 4. We estimate—with no great confidence, however—that no serious economic reform involving decentralized decisionmaking regarding production and investment choices will be advanced until a new leadership has managed to secure its position and the economic situation is substantially worse than it is now.

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V. I would like now to address the second topic—Soviet dependence on the West.¹ In a nutshell, we believe the Soviets could go it alone if denied all access to Western goods and services, but only with sizable losses in consumer well-being and in the productivity and quality of industrial output.

A. Imports paid for in hard currency are considerably more important to the USSR than the raw trade numbers imply.

1. Hard currency imports—which account for about two-fifths of total Soviet imports—are equal to as much as 5 percent of the ruble value of GNP.
2. In addition, East-West economic ties have developed to the point that if Western technology and goods were not available to the USSR it could not adjust quickly or completely to their loss. Valuable time would be lost in trying to adjust, adding substantial strains to an already stretched economy. This year, for example, with orders for Western machinery and equipment already sharply curtailed, further reductions in imports would impinge on priority programs in steel, transportation, agriculture, and heavy machine building.
3. But dependence really cannot be found in ratios of imports to GNP or other statistical measures. Dependence exists primarily in particular sectors and programs.

VI. First I want to look at the connection between equipment imports and the economy. Soviet leaders decided in the early and mid-1970s that access to Western technology could boost economic growth by stimulating productivity and helping to break critical production and construction bottlenecks.

A. Although the USSR has had considerable difficulty in assimilating the equipment and technology it bought from the West, these imports have helped Moscow deal with some critical problems, particularly in certain manufacturing sectors. And, as I mentioned a few minutes ago, the Soviet Union stands little chance of keeping its economic growth up unless it can reverse the recent trends in labor productivity in industry, agriculture, and the economy in general. I would, therefore, like to point out a few of the areas in which Western technology has played a key role.

1. In the 1970s, imported chemical equipment accounted for about one-third of all Western machinery purchased by the Soviets.

¹ We use the term “West” to refer to the USSR’s trade with all hard currency non-Communist partners.

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- a. This equipment was partially or largely responsible for doubling the output of ammonia, nitrogen fertilizer, and plastics, and for tripling synthetic fiber production.
 - b. Western chemical equipment and technology will continue to be important for Soviet production of consumer goods and chemical-based industrial materials, for farm output, and for plans to overhaul a chemical industry that is still antiquated in many areas.
2. Right now, Soviet plans for a number of important programs have been delayed because construction equipment has not been available in sufficient variety or quantity to build plants.
- a. Plans to produce heavy industrial tractors and bulldozers have been delayed by faulty tractor and engine designs.
 - b. The USSR also lacks the capacity for production of transmissions, suspension systems, and heavy-duty axles (capable of supporting weights of 50 tons or more).
 - c. The Soviets plan to produce their own equipment with imported plant and technology. Under a contract with Fiat, for example, Italians will supervise construction of a turnkey facility to produce earthmoving equipment.
 - d. In the case of pipelaying equipment, pipelayers capable of handling large-diameter pipe are produced only in the United States and Japan, although Fiat-Allis intends to begin production in Italy in a year or so.
3. Large computer systems and minicomputers of Western origin also have been imported in large numbers (1,300 systems since 1972).
- a. These have capabilities that the Soviets cannot match and use complex software that they have not developed.
 - b. Moreover, they often are backed up by expert training and support that the Soviets cannot duplicate elsewhere.
- B. Meanwhile, imports of equipment from the West have played a vital part in supporting the energy sector.
1. Because of deficiencies in drilling, pumping, and pipeline construction, the USSR bought about \$5 billion worth of oil and gas equipment in the 1970s.
 2. These purchases, covering a wide range of equipment, have added substantially to energy production.

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- a. Submersible pumps purchased from the United States, for example, are estimated to have added roughly 2 million barrels per day to oil production alone in recent years.
 - b. Practically all large-diameter pipe laid in the USSR has been obtained from Western Europe or Japan.
 - c. US production technology recently installed will allow the USSR to produce drilling bits with a life expectancy five to 20 times greater than experienced with Soviet bits.
 - d. Similarly, the Soviet offshore exploration effort would not be nearly as far along as it is without access to Western equipment and know-how.
3. The USSR will continue to need imports of a broad range of Western oil and gas equipment if it is to minimize the fall of production in declining fields, increase output elsewhere, and help locate and develop reserves.
- C. Agricultural imports are the other major source of economic dependence on the West. Soviet purchases of Western grain jumped from an average of 17 million tons a year in 1976-78 to 27 million tons a year in 1979-80, and to 39 million tons in 1981.
1. Without Western grain, Soviet consumers would not have had the increase in meat consumption they have realized since the early 1970s, and there would have been a sharp drop in per capita consumption of meat in the late 1970s instead of a leveling off.²
 2. After three consecutive poor grain harvests—and with another below-trend crop expected this year—imports of grain will continue to be critical for the Soviet livestock sector and for consumption goals.
 - a. We now estimate the 1982 grain crop at 165 million tons, or more than 70 million tons below the Soviets' planned output.
 - b. We also believe that total grain imports will be close to the limit set by port and rail capacity—roughly 50 million tons a year—during the marketing year ending next June.
- VII. Dependence on the West, however, does not translate into dependence on the United States. If US-Soviet economic relations were shut down, the Soviets could—with few exceptions—switch to other Western and some East European suppliers for products and technology.

² Imports of livestock products and other agricultural commodities used in livestock production accounted for two-fifths of available livestock products in the USSR in 1981.

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- A. The Soviets need US grain mainly in years when stocks are low worldwide and grain crops in other major grain-exporting countries are poor.
 - 1. We believe, for example, that Moscow could buy most of the grain it needs this year and next from other suppliers, although it probably would have to pay premium prices for some of the purchases.
 - 2. The Soviet Union, however, probably could not find the mix of grain it would like without coming to the United States. Most observers agree that the USSR prefers to import wheat and corn in roughly equal proportions, and the United States is the world's major corn exporter.
- B. A continuation of the US embargo on sales of energy equipment would have a somewhat greater impact, especially in the short run.
 - 1. The volume of water brought up with Soviet oil is getting larger, and a program to produce a good high-capacity submersible pump domestically has not yet been successful.
 - 2. US manufacturers now have a monopoly on producing high-quality, high-capacity pumps. If these remain embargoed, however, other Western suppliers could enter the field within about two years.
 - 3. Although the United States is the world's leader in the manufacture of drilling equipment, producers in Japan and Western Europe could eventually gear up to supply the Soviet market with products of comparable quality.
- C. The US embargo on export of oil and gas goods and technology to the Soviet Union is already affecting the timetable of the Siberia-to-Western Europe gas export pipeline.
 - 1. The USSR and its West European suppliers and customers are trying to decide how to reformulate the project in light of US sanctions.
 - 2. Nevertheless, by using equipment available from Western Europe or Soviet equipment (or a combination of both), the Soviets will be able to commission the export pipeline and start pumping gas through it by late 1984, although at a reduced flow. By using excess capacity in existing pipelines, they should be able to meet their gas delivery contracts until the export pipeline is completed.

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3. To the extent that Soviet-made turbines and compressors must be diverted from domestic pipelines to the export pipeline, the domestic economy will lose some gas—as much as 30 billion cubic meters annually for a year or so in the mid-1980s.

VIII. Before I turn to the question of Western ability to influence Soviet defense decisions through economic measures, let me briefly summarize our assessment of overall Western leverage.

A. The impact of Western denial of goods and technology to the USSR could range from minimal to substantial.

1. A unilateral US denial policy—whether focused on strategic technology, machinery, or grain—would—as I said earlier—have little impact. There are too many alternative sources of supply available to the Soviets.
2. At the other extreme, the dislocations caused by a total Western embargo on trade with the Soviet Union with minimal circumvention probably would lead to a drop in Soviet GNP in the short term and slower economic growth in the long term. It would force even harder choices on the leadership with regard to domestic resource allocation decisions.
3. I want to stress, however, that trade restrictions must be maintained for more than two or three years to be effective. It is the cumulative effects of prolonged denial that are important.

B. Although the Western states, acting together, have the potential to impose severe economic costs on the USSR through a cessation of commercial and technical relations, their ability to gain political leverage is circumscribed by three factors:

1. First, the Soviet economy is large and self-sufficient enough to support the main thrust of its current military and foreign policies in spite of any embargo the West might implement.
2. Second, Soviet leaders will be extremely reluctant to appear to be giving in to Western pressure. This would be particularly true of any new leader trying to establish his dominance.
3. Third, based on past experience, Soviet leaders probably do not expect that sanctions or embargoes will be rigorously imposed throughout the West or long lasting.

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- IX. Mr. Chairman, my final topic today will be the trade-off between economic growth and defense spending, with some discussion of Western influence in this area.
- A. First I'd like to address the general economic and political pressures on defense spending.
1. Then I will offer a few comments on Western leverage on the Soviet defense effort.
 2. I wish to point out that I intend to discuss a wide range of Western options without regard to the likelihood of their implementation.
- B. Because of the economic prospects that I described earlier, the conflict between the requirements of defense and the needs of the economy poses an ever sharper dilemma for Soviet leaders.
1. On the one hand, they believe that they are facing a more hostile international environment, which argues for a larger defense effort.
 2. But the defense burden must seem harsher as growth in GNP declines.
- C. What will the USSR do? In the near term, we think it will maintain the priority accorded to defense in spite of mounting economic problems.
1. On the basis of observed military activity (that is, the number of weapon systems in production, weapon development programs, and trends in capital expansion in the defense industries) we expect that Soviet defense spending will continue to grow at about its historical rate of 4 percent a year through at least 1985.
 2. In terms of specific changes in weapons programs in response to any US buildup, however, the USSR will probably seek to avoid making any hard choices until the shape of the US defense program becomes clearer.
 3. It is important to note in this connection that the Soviets recognize that military power is their principal currency as an international actor. Considerable pressure exists, therefore, to continue high levels of defense investment to sustain Moscow's global role.
 4. Further, given the current support within the Soviet elite for a strong military position, advocacy of cuts in military spending would involve formidable political risks within the Politburo. This would be particularly true during a succession period.

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5. Finally, Moscow probably will continue to view arms control as an instrument to limit deployment of new US weapon systems requiring costly new programs to counter. While the Soviets may appear to be more conciliatory, this does not imply a readiness to make major concessions at the negotiating table.
- D. Sustaining these policies over the long term, however, could ultimately entail unacceptable political and economic costs—costs that will be increasingly apparent to a post-Brezhnev leadership as it struggles to prepare its next five-year plan for the last half of the 1980s.
 1. By that time it may be evident that continued priority for defense spending at the expense of civilian investment would weaken the ability of the economy to sustain higher defense spending in the next decade and would increase Soviet dependence on Western technology and equipment for the most advanced industrial processes.
 2. Already, some Soviets are questioning the wisdom of the planned slowdown in the growth of new fixed investment.
 3. Moreover, if average annual growth in military outlays continues at 4 percent or higher, per capita consumption by mid-decade could well decline.
 - E. Faced with these conditions, a new leadership will feel greater pressure to reduce the growth in military spending in order to free up the labor and capital resources urgently needed in key civilian sectors.
 1. In this connection, the cost avoidance benefits of arms control agreements could assume greater importance in Soviet policy.
 - F. Unfortunately, the choices that a new leadership will make cannot be predicted with any degree of confidence. They depend on the balance between Moscow's perception of the severity and duration of the economic slowdown and its assessment of the cost and risk of selective alterations in the military effort.
 - G. Nonetheless, under these leaner circumstances a Western trade embargo would very likely force the Soviet leadership to reexamine some of the trade-offs.
 1. Soviet imports can be divided roughly among three categories:
 - a. Imports of raw materials and industrial products that are needed by Soviet industry.
 - b. Purchases of machinery and technology that support Soviet investment and modernization plans.

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- c. Imports of grain and agricultural products that serve consumer programs.
 2. If the Soviets are forced to cut back on imports, we don't think they have much room to reduce imports of raw materials and industrial products.
 3. Soviet leaders would then have to choose between agricultural and machinery purchases.
 - a. If they decided to cut back on grain imports, for example, in order to protect investment goals, increases in food consumption would have to be scaled back.
 - b. As a result, living standards could begin to fall.
 - c. Lower consumption levels in turn would increase popular dissatisfaction and hinder the leadership's attempts to raise productivity.
 4. On the other hand, the investment crunch I mentioned will become increasingly tight during this decade. Should the leadership decide to maintain or even increase agricultural imports at the expense of machinery imports, investment and modernization would suffer, with long-term effects on both production and the level of Soviet technology.
- H. But to return to the basic question that you asked—there is little chance that Western economic sanctions, even if comprehensive and sustained, could markedly affect Soviet military power for the better part of a decade. Most of the weapons and forces on which Soviet power is based are already in the field or in production.
 1. First of all, major changes in defense allocations take time, and we expect current patterns to prevail for at least several more years.
 2. The main impact of Western economic sanctions would be to slow qualitative improvements in Soviet weapon systems.
 3. And, given the time required to develop a new or modify an existing weapon system substantially, a denial of Western technology would not have a major impact until the later 1980s. The maximum impact would be felt in the 1990s and beyond.
 4. Should a weakening of the industrial base ultimately force some cuts in military programs, this would not happen quickly, and the effects on overall Soviet military capabilities would be very gradual.



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**Implications of the USSR's
Hard Currency Problem for Aid
to Allies and Clients** [redacted]

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Faced with tighter hard currency supplies and potential Western credit restrictions, Moscow is trying to conserve foreign exchange, in part by reducing support to dependent allies and clients. This policy almost certainly will increase problems in bilateral relations with East European and Third World countries. On the other hand, the Soviets remain willing to continue military assistance in Third World regions important to US interests, because they view arms sales as a major source of influence and foreign exchange. [redacted]

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Growing Hard Currency Problems

Soviet hard currency revenues probably will remain level or even decline in real terms during the next several years while the need for Western goods and technology increases. The economy's slowdown raises the importance of imports in helping to maintain or increase productivity growth and reduce industrial and food supply bottlenecks. However, the USSR's hard currency position worsened in early 1981, primarily because of stagnating world prices for oil, the Soviets' largest export earner, and sharply increased agricultural imports after a string of poor harvests. Although the payment situation has improved since mid-1981—partly because of reduced nonagricultural imports—prospects for continuing this improvement are bleak. Our analysis indicates that:

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- Oil exports will decline.
- Rising gas exports will not completely offset the drop in oil revenues, even if the pipeline to Western Europe is built.
- Real earnings from other exports, including arms, are unlikely to grow appreciably. [redacted]

Moscow probably does not see substantially increased reliance on Western credits as a solution to the decline. The financially conservative Soviet leaders and Western bankers presumably would be reluctant to increase substantially the Soviet debt burden. Moreover, some officials apparently believe that concrete Western credit restrictions might become a reality, as suggested by Soviet press commentary prior to the Versailles summit in June. Although the vague

language of the credit agreement achieved at Versailles may have eased its apprehensions, Moscow probably still recognizes that credits will be more costly to obtain than in the 1970s. [redacted]

Cutting Corners Around the Globe

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With tighter hard currency supplies in mind, the Soviets are reducing their foreign exchange expenditures across the board. Trade with the West, economic support of Eastern Europe, and assistance to less developed countries (LDCs) are being affected. Although we cannot yet estimate precisely the overall size or duration of the cutbacks, reductions in imports of Western goods and in exports to allies of oil at below-market prices could bring savings of a few billion dollars. [redacted]

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East-West Trade. The Soviets have launched a major effort to reduce foreign exchange expenditures in the West. [redacted] Several domestic investment projects requiring Western goods and technology have been scaled back or postponed. Although most cutbacks reportedly will affect consumer-oriented projects, purchases of some industrial equipment also have been reduced below earlier targets. [redacted]

Eastern Europe. [redacted] hard currency worries have been largely responsible for a reduction in Soviet economic support to several East European countries. [redacted]

[redacted] Moscow cited the pressures of financing increased grain imports as a major reason for cutting subsidized oil deliveries to Czechoslovakia and East Germany this year to volumes at least 10 percent below those previously planned, and to Hungary by 5 to 10 percent. The reduction could exceed 100,000

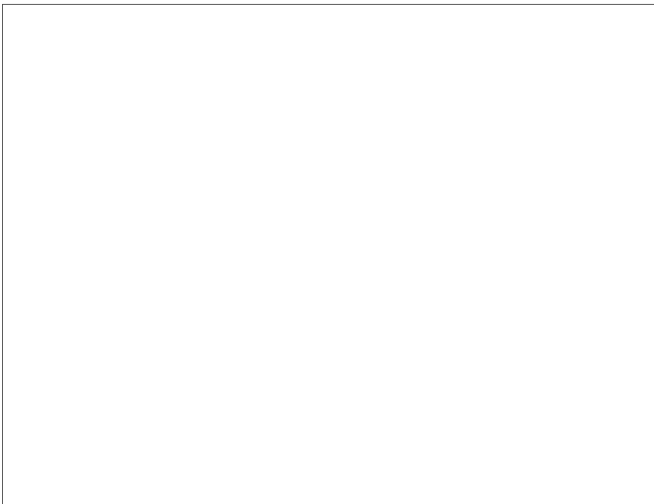
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barrels per day, roughly 6 percent of shipments to Eastern Europe in 1981. Meanwhile, Bulgaria has been denied increases in oil shipments, and cutbacks there are possible. We believe that Moscow is motivated primarily by a desire to increase hard currency earnings. The USSR's projected requirement for above-average grain imports in the coming years, moreover, will probably extend the oil delivery cut-back beyond 1982. [redacted]

Developing Countries. In the Third World, Moscow's belt-tightening apparently has affected its economic support of some Communist clients. Some indications in recent months of this tougher stance are that:

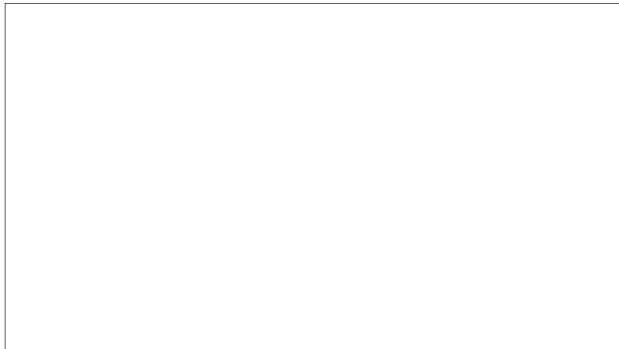
- Public Soviet statements suggest that Vietnam's pleas for increased subsidized shipments of oil and food have been turned down.



The USSR almost certainly is more unwilling than ever to make hard currency outlays for assistance to non-Communist LDCs. Moscow rarely provides hard currency aid to such countries, but instead emphasizes project assistance repaid with the resulting LDC products. Repayment terms have hardened over the past five years, with 10-year repayment periods more common than earlier 12-year credits. The primary goal in extending development aid has been to sell Soviet equipment, although more recently Moscow has focused on procuring products important to the Soviet economy through commodity payback and

barter contracts, which minimize Soviet hard currency expenditures. The current foreign exchange problem has not affected that program but has left Moscow no more lenient than before with LDCs where hard currency is involved. Some recent indications of that position are that:

- Nicaragua, despite the economic cooperation pledged during junta coordinator Daniel Ortega's May visit to Moscow, has still not obtained the substantial level of hard currency aid it has been seeking since 1980.



- Guyana has publicly criticized proposed industrial cooperation programs, in part because Moscow has demanded that Georgetown pay more of the hard currency expenses associated with planned projects.



Some Political Implications

The Soviets are aware that these actions carry a political price, but they are apparently hoping that it will be bearable. In Eastern Europe, their hopes probably rest on the assumption that there is enough fat in the East European economies to enable them to adapt. As for the Third World, the Soviets' qualms may be lessened by the fact that economic assistance has rarely brought substantial political benefits. Nonetheless, they cannot be certain that problems created by aid reductions will not ultimately harm their relations with their allies and some important Third World countries. [redacted]



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Moscow's budget cutting will, in fact, almost certainly increase tensions with Eastern Europe. Economic stagnation, already likely in several countries, will be aggravated by the reductions in important forms of aid and will probably sharpen the debate over increased East European contributions to Warsaw Pact force modernization. The cutbacks also will complicate Moscow's efforts to increase regional economic integration.

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On the other hand, the Soviets' hard currency problem almost certainly will not constrain their ability or willingness to extend military assistance in regions important to US interests or weaken their support for revolutionary movements. Moscow will continue to rely on its arms sales program as the most effective means of competing with the United States and as an important source of foreign exchange. Although many LDCs are experiencing severe balance-of-payments problems, we have seen no significant decline in Soviet hard currency sales. Orders dropped to \$6 billion in 1981, down from the 1980 record high of \$14 billion, but still reflected the sales pattern established since the mid-1970s. Although concessionary military assistance may be scrutinized more carefully, aid to major clients such as Cuba, India, and Vietnam probably will remain based primarily on political rather than economic considerations.

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Soviet influence with some Third World clients may suffer as an already niggardly economic aid program fails to meet those countries' growing needs. Moscow has long incurred general Third World criticism for its meager economic assistance, and it may now encounter growing trouble with economically hard-pressed countries that have been seeking increased Soviet help. Ties with Vietnam are strained over the issue of aid, and

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Hanoi is seeking greater Western assistance. Relations with Cuba, where aid-related tensions do not yet appear serious, could be affected if Cuba's economic health declines as projected. Among non-Communist countries, Ethiopia and South Yemen probably are increasingly unhappy with their inability to augment Soviet military assistance with extensive cooperation in economic development. Angola, whose oil exports give it more ability than most major Soviet clients to make hard currency down payments on aid projects, is the only one to obtain a major (\$2 billion) new assistance commitment.

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Briefs

Soviet Concern Over Casualties in Afghanistan

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Three articles in *Pravda* this month have depicted the Afghan Army as heavily engaged with the guerrillas. Soviet troops, on the other hand, are reported being fired on only while working on civilian projects. The articles reflect Moscow's sensitivity to the casualties that are being widely rumored in the USSR but are not mentioned in the media. An increased number of similar articles in the Defense Ministry newspaper last winter coincided with the adoption of a more aggressive strategy in Afghanistan. The media normally focus on civilian projects and military training to help allay extensive concern over the high costs of the fighting.

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Mixed Signals on Soviet Grain Imports

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Viktor Pershin, head of the Soviet grain-buying agency, told the US agricultural attache in early September that there was "not much grain left in the pipeline." While it is possible that Moscow has a slightly more optimistic assessment of Soviet grain production than we do, the summer-long lull in the purchasing of foreign grain remains puzzling. This is especially so because some of the losses cannot be recouped. Western grain shipments through the summer were far below quantities that recently upgraded Soviet port facilities can handle. Tight feed supplies resulted in the lowest July milk yields and slaughter weights of cattle and hogs since monthly statistics became available in 1977, and reports of local distress slaughter increased.

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Soviet purchases in the 1983 "buying season" (1 October 1982 to 30 September 1983) would be about 40 million tons. Although some grain traders report no interest in grain buying from Moscow, the USSR may be about to begin purchasing:

- In late August, Soviet officials claimed shipment from US Gulf ports would begin in October at roughly the rate of 1.5 million tons per month. Unless the pace of grain imports picks up soon, total imports for the year will be less than we have estimated and meat supplies over the period will be correspondingly less. Because the leadership is concerned about the public mood, however, we do not believe it will permit a significant decline. Moreover, with US grain prices at a three-year low and the average price of gold up 30 percent since June, the potential hard currency burden of massive grain imports is easing.

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New Soviet Helicopter

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The MI-26 has the same cargo capacity as the AN-12 medium transport and can carry about twice the payload of the MI-6 Hook, which it probably will replace. It can carry two airborne infantry combat vehicles and will be used to reduce the number of helicopters required to lift air assault forces. [Redacted]

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International Phone Service Cuts

[Redacted]

In early September the USSR drastically reduced direct-dialing service for incoming calls from the United States, Western Europe, and Japan. The only exceptions are foreign embassies and "trade missions" in Moscow. Telex and International Telegraph Service communications reportedly remain normal. The decision to limit incoming calls—allegedly to facilitate technical repairs—was not reported in the Soviet media. This latest move follows the severe cutback in July of direct dialing to the West. It is presumably intended to improve monitoring and control over telephone contact between Soviet citizens and foreign callers, particularly emigres. The reductions will cost the Soviets hard currency. [Redacted]

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